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Message Text

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ACTION EA-09

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-08
FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02
OPIC-03 SP-02 LAB-04 EPG-02 SIL-01 OMB-01 NSC-05
SS-15 STR-04 CEA-01 DODE-00 PM-05 H-01 L-03
PA-01 PRS-01 AGRE-00 /102 W
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R 270600Z JUL 77
FM AMEMBASSY BANGKOK
TO SECSTATE WASHDC 4597
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY CANBERRA
AMEMBASSY COPENHAGEN
AMEMBASSY THE HAGUE
AMEMBASSY JAKARTA
AMEMBASSY KUALA LUMPUR
AMEMBASSY LONDON
AMEMBASSY MANILA
AMEMBASSY OTTAWA
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY SINGAPORE
AMEMBASSY TOKYO
CINCPAC

C O N F I D E N T I A L SECTION 01 OF 02 BANGKOK 16461

BRUSSELS FOR USEEC
PARIS FOR USOECD
CINCPAC FOR POLAD

E.O. 11652: GDS
TAGS: EGEN, ASEAN, TH
SUBJECT: RTG'S ASEAN INDUSTRIAL PROJECT

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REF: (A) MANILA 1054 (B) BANGKOK 2496 (C) SINGAPORE 3031

1. SUMMARY: RECENT CABLE TRAFFIC ON ASEAN HAS FEATURED A NEGATIVE VIEW OF THE ASEAN INDUSTRIAL PROJECTS BOTH FROM THE VIEW OF ECONOMIC VIABILITY AND FROM THAT OF ADVANCING ECONOMIC INTERGRATION OF THE FIVE COUNTRIES. EMBASSY BANGKOK TAKES EXCEPTION TO SINGAPORE FOREIGN MINISTER'S WRITE-OFF OF THE

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THAI ROCK SALT/SODA ASH PROJECT WHICH WE BELIEVE HAS SIGNIFICANT ECONOMIC POTENTIAL. CONSULTANTS UNDER A GRANT FROM THE ASIAN DEVELOPMENT BANK WILL BEGIN STUDY OF THE TECHNICAL FEASIBILITY AND ECONOMIC VIABILITY OF THE PROJECT NEXT MONTH. EMBASSY BELIEVES THAT ECONOMIC VIABILITY WILL NOT DEPEND ON THE ASEAN LABEL. END SUMMARY.

2. RECENT COMMUNICATIONS FROM SINGAPORE HAVE EXPRESSED CONSIDERABLE PESSIMISM OVER PROSPECTS FOR FIVE ASEAN INDUSTRIAL PROJECTS IN VIEW OF INDONESIA'S STATE CAPITAL-IST APPROACH AND HAVE INDICATED THAT IT MIGHT BE NECESSARY TO FIND A MECHANISM TO PERMIT THE OTHER FOUR ASEAN STATES TO MOVE FORWARD ON ECONOMIC DEVELOPMENT BASED ON FREE ENTERPRISE WHILE INDONESIA PROCEEDS AT ITS OWN PACE. REFTEL (C) QUOTES SINGAPORE FOREIGN MINISTER RAJARATNAM AS SAYING THAT "THE THAI SODA ASH PROJECT, IN ADDITION TO OTHER PROBLEMS, WAS LOCATED IN THE NORTHEAST

NEAR A POLITICALLY UNSTABLE REGION, AND FOR THIS REASON NOBODY WANTED TO PUT UP ANY MONEY." THE TELEGRAM FURTHER QUOTES HIM AS SAYING THAT "SINGAPORE WAS BEGINNING TO BELIEVE ON THE BASIS OF ITS OWN EXPERIENCE THAT IT WAS SIMPLY NOT FEASIBLE FOR A GROUP OF BUREAUCRATS JUST TO NAME PROJECTS AND THEN GET THEM OFF THE GROUND."

3. EMBASSY BANGKOK IS WILL TO ENDORSE RAJARATNAM'S CONFIDENTIAL

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LATE REALIZATION ABOUT THE RELATION BETWEEN ANNOUNCE-MENTS BY BUREAUCRATS AND FUNCTIONING PROJECTS, BUT DISAGREES STRONGLY WITH HIS OFFHAND DISMISSAL OF THE THAI PROJECT. WE BELIEVE THAT IT HAS SIGNIFICANT POTENTIAL WHETHER OR NOT IT CARRIES AN ASEAN LABLE. RTG HAD BEEN THRASHING AROUND ON THE ROCK SALT/SODA ASH PROJECT FOR SEVERAL YEARS BEFORE IT WAS BROUGHT FORTH AND ANOINTED AS THE THAI ASEAN INDUSTRIAL PROJECT AT KUALA LUMPUR IN FEBRUARY 1976. ITS SELECTION AS THE THAI PROJECT DID GIVE IT ADDITIONAL IMPETUS AND THE ASEAN LABEL WAS PROMINENTLY DISPLAYED ON THE ADB GRANT MADE TOF FINANCE THE STUDY OF ITS TECHNICAL FEASIBILITY AND ECONOMIC VIABILITY. WITH REGARD TO UNILATERAL RTG ACTIONS, SENIOR MINERALS DEPARTMENT OFFICIAL WILL VISIT PLANTS IN DENVER, SALT LAKE CITY, AND DETROIT IN AUGUST TO: (1) LOOK AT DRILLING MACHINERY RTG HIPES TO PURCHASE FOR ADDITIONAL POTASH EXPLORATION, AND (2) DETERMINE WHETHER EXISTING PROCESSES TO SEPARATE LOW-GRADE POTASH FOUND IN ASSOCIATION WITH ROCK SALT ARE SUITABLE FOR ORES IN NORTHEAST. OFFICIAL WILL ALSO VISIT PLANTS IN UK, FRANCE, GERMANY, AND SPAIN.

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4. ADB STUDY WILL INCLUDE GEOLOGICAL SURVERYS, PLANT SITES, SCALE OF PRODUCTION OF SAOD ASH, TRANSPORTATION, AND MARKETING. USABD (REFTEL A) SUMMARIZED MARKETING ASPECTS OF FOLLOWS: QUOTE: MARKET STUDIES BOTH WITHIN AND OUTSIDE ASEAN REGION TO ASSESS SUPPLY, DEMAND, PRICES AND OTHER RELEVANT MARKETING FACTORS FOR ROCK SALT AND SODA ASH, AND PREPARATION OF SET OF POLICY OPTIONS WITH REGARD TO TRADING ARRANGEMENTS WHICH MAY BE CONSIDERED BY ASEAN MEMBER COUNTRIES TO REALIZE REGIONAL MARKETING OBJECTIVES OF PROJECT IN DUE CONSONANCE WITH INTERNATIONAL OBLIGATIONS OF THESE COUNTRIES. END QUOTE.

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BRUSSELS FOR USEEC
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5. ADB HAS ENGAGED A CANADIAN CONSULTING FIRM FOR THIS STUDY AND EMBASSY UNDERSTANDS THAT PERSONNEL FROM THE FIRM WILL ARRIVE IN THAILAND INAUGUST. A BORAD MANDATE FOR MARKETING STUDIES SHOULD PERMIT CONSULTANTS TO
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ARRIVE AT RATIONAL AND WELL-THOUGHT OUT TRADING ARRANGE-MENTS WITH ASEAN IN CONTRAST WITH THE RATHER HAPHAZARD APPROACH TO THE PROJECTS SO FAR TAKEN BY ASEAN ITSELF.

6. WITHOUT PREJUDGING THE FEASIBILITY AND VIABILITY STUDIES, THE EMBASSY DOES NOT BELIEVE THAT THE SPECIFIEC ASEAN ASPECTS OF THE PROJECT WILL BE EVEN MARGINALLY DECISIVE. VIABILITY WILL DEPEND TO A GREAT DEGREE ON MARKET IN JAPAN RATHER THAN IN OTHER ASEAN COUNTRIES.

7. THAILAND HAS SOUNDED OUT ASEAN PARTNERS ON INVESTMENT IN THE PROJECT BUT FOUND NO INTEREST AMONG ANY OF THE OTHER COUNTIES IN PUTTING UP MONEY. (REF. B). IF OTHER ASEAN COUNTRIES DO NOT PROVIDE CAPTIAL FOR THE PROJECT, THE THAIS, NATURALLY, WILL NOT ALLOW THEM TO HAVE A DOMINANT PLACE ON BOARD OF DIRECTORS OR VETO POWER OVER DECISIONS.

8. IN THIS MESSAGE WE HAVE LIMITED OURSELVES TO THE QUESTION OF THE VIABILITY OF THE PROJECT ON ITS OWN TO EMPHASIZE THAT IT WILL NOT LIVE OR DIE BASED ON WHETHER OR NOT IT HAS AN ASEAN LABLE. THE QUESTION OF THE USE OF THE CONCEPT OF ASEAN INDUSTRIAL PROJECTS TO FURTHER ECONOMIC INTEGRATION AND TO STRENGTHEN ASEAN ITSELF IS A SEPARATE CONSIDERATION. VIEWED FROM THIS PERSPECTIVE, THE IDEA MAY VERY WELL HAVE REACHED A CUL-DE-SAC. THE WHOLE SCHEME OF FIVE SEPARATE ASEAN PROJECTS WAS HURRIEDLY PUT TOGETHER LAST YEAR TO GIVE AN APPEARANCE OF PROGRESS AND ACCOMPLISHMENT AT THE KUALA LUMPUR MEETING. (IN THE CASE OF THE RTG DELEGA-TION, ITS MFA MEMBERS PROPOSED THE ROCK SALT/SODA ASH PROJECT WITHOUT CONSULTING THE MINISTRY OF INDUSTRY.) WITH THE PASSAGE OF TIME IT IS MORE OBVIOUS THAT THERE
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ARE FLAWS IN THE CONCEPT AND THE MACHINERY AND THAT SOME OF THE PROJECTS ARE NON-STARTERS. THE PROBLEMS OF SALVAGING THE INDUSTRIAL PROJECTS CONCEPT IS ONE FOR THE MEMBER STATES TO RESOLVE.

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Disposition Approved on Date:
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Disposition Date: 22 May 2009
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